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## **SECTION IX - PROPOSAL EVALUATION**

### **A. INTRODUCTION**

An alternative procurement process is a multi-step process to determine the most responsible and responsive proposal that offers “best value” to the California Public Employees’ Retirement System (CalPERS). A “best value” evaluation does not emphasize least cost at the exclusion of other factors. It is a balanced assessment consisting of cost and perceived risk matched to the business needs.

Confidential discussions will allow the Qualified Business Partner (QBP) to request clarification or ask questions specific to its proposed solution without having to share those questions with the other participating QBPs, thus protecting the confidential nature of each solution. Each confidential discussion will include a confidential agenda prepared in advance as described in Section II – Rules Governing Procurement. It is to the QBP’s advantage to ensure their proposed key staff (those at Team Lead level and above) and other staff that can discuss the business, technical, and contract areas attend the confidential discussions.

No scoring or evaluation will take place during any confidential discussions. Oral comments made during confidential discussions are not binding.

### **B. CALPERS EVALUATION TEAM**

CalPERS has established a CalPERS Evaluation Team (Evaluation Team) comprised of individuals selected from CalPERS management and staff. A Contract Official from the Contracts Management Section develops the Schedule of Events, provides preliminary reviews of all submitted materials, serves as a contact point with the QBP for questions and clarification, and identifies the rules governing the procurement.

CalPERS may engage additional qualified individuals or subject matter experts during the evaluation process to assist the team in gaining a better understanding of technical, financial, legal, contractual, or program issues. These other individuals will not have voting privileges or responsibility for the evaluation process, but they will serve in an advisory capacity.

### **C. REVIEW OF CONCEPTUAL PROPOSALS**

Prior to submission of the Conceptual Proposals, CalPERS will hold a Pre-Conceptual Confidential Discussion with each QBP to answer any questions they have relative to the Request for Proposal (RFP) process. QBP Conceptual Proposals, when received, will be reviewed by the Contract Official initially to ensure that the process and content identified in Section VIII – Proposal Format and Submission Process for the Conceptual Proposal is followed.



The Evaluation Team will review each Conceptual Proposal but will not score them. Following the review of each Conceptual Proposal, CalPERS will schedule a confidential discussion with each interested QBP to discuss the findings of the review of their Conceptual Proposal.

#### **D. REVIEW OF INITIAL AND FINAL DRAFT PROPOSALS**

QBP Initial and Final Draft Proposals will be reviewed by the Evaluation Team. The review will address administrative, technical, and business requirement responses in detail.

The Evaluation Team will not request changes or make counter proposals during discussion of Initial or Final Draft Proposals. It will only identify its concerns and ask the QBP for clarification. CalPERS admonishes all QBPs that its review of the Initial and Final Draft Proposals shall in no way imply a warranty that all potential defects in the proposals have been detected. Notification that CalPERS did not detect any defects does not preclude rejection of the Final Proposal if defects are later found.

The Evaluation Team may identify aspects of an Initial or Final Draft Proposal that, in its judgment, potentially introduce risk to the project. The QBP will be informed of the Evaluation Team's concerns during the Confidential Discussions. The QBP may do one of the following:

- Modify its proposal to eliminate these concerns to the satisfaction of CalPERS;
- Propose a demonstration of capability or proof of mitigation of the potential risk in sufficient scope and detail to eliminate the CalPERS concerns to the sole satisfaction of CalPERS; and,
- Choose to leave its approach unchanged, even though doing so may adversely affect CalPERS evaluation of its Final Proposal.

CalPERS reserves the right to make a final determination with respect to the QBP's resolution of such defects.

#### **E. EVALUATION OF FINAL PROPOSALS**

Final Proposals will be evaluated based on "best value" to the CalPERS. Best value, as defined in this section, is the Final Proposal response that meets all requirements set forth in this RFP and offers CalPERS the best combination of value, cost, and risk as determined through the evaluation process as specified in this section.

The evaluation process documented here is supplemented by a detailed Evaluation and Selection Plan where specific criteria have been developed for point award and risk assessment for Section V and Section VI of the RFP. The purpose of this Evaluation Section of the RFP is to outline how the points will be awarded (in general terms) and



how a winning Proposal will be selected in an impartial manner that preserves the integrity of the competitive procurement process.

### **Material Deviations**

During Final Proposal Evaluation, failure to respond to a Technical, Business, or Administrative Requirement is considered to be non-responsive and will be considered a Material Deviation. A response that is not in substantial accord with the RFP requirements is considered to be a deviation, and may or may not be material. However, a “non-responsive” or Material Deviation decision will be made with guidance and concurrence from CalPERS Legal Office. (This only applies to Final Proposal Submissions – during Initial and Final Draft, CalPERS will make every effort reasonably possible to identify areas that the QBP’s response might be considered a Material Deviation so that they may address them prior to submission of the Final Proposal.)

The evaluation of Final Proposals will consist of the following steps:

**1. Preliminary Review**

The Proposal package will be reviewed to determine completeness of required documentation and compliance with Disabled Veterans Business Enterprise (DBVE) requirements as prescribed in Section VIII – Proposal Format using the Preliminary Review Sheet, Exhibit IX.1. CalPERS may reject any or all Proposals that fail to meet these requirements.

**2. Administrative Requirements Review**

(Maximum score = 3750)

**(a) Administrative Requirements (Pass/Fail)**

Upon satisfactory Preliminary Review, review of the details will begin with the Administrative Requirements listed as Proposal Items in Section V – Administrative and Technical Requirements. Proposal Items 1 through 12 and 40 through 42 are considered to be Pass/Fail. QBPs must provide a response to each requirement to be compliant.

If a Proposal fails to satisfactorily meet an administrative or technical requirement, the Evaluation Team will determine if the deviation is material. A deviation from a requirement is material if the deficient response is not in substantial accord with the RFP requirements. If the deviation is determined to be material in the Final Proposal submission, the proposal will be considered non-responsive and excluded from further consideration.



(b) Project Team Experience and References (Maximum score = 2000)

Score is based on the QBP's proposed project team member's industry qualifications, experience with the solution proposed, and ability to implement the proposed solution. Requirements regarding QBP Project Team Experience are found in Section V.E. QBPs must complete all matrices regarding the qualifications of the members of project team proposed for Team Leads and above. Resumes for proposed staff are required; use of "representative" resumes is not acceptable for project team members at or above the level of Team Lead.

The QBP's proposed staffing must be sufficient to provide the level of service throughout the term of the contract. The QBP's proposed team's skill levels must be consistent with the QBP's proposed solution. Proposed QBP staff resumes must reflect experience with a pension system or projects that qualify the individual for a project of this size, scope, and complexity. Individual staff references may be checked for the QBP proposed staff at the level Team Lead and above. (Proposal Items 35, 36, 37, 38, and 39.)

(c) Administrative Approach (Maximum score = 1750)

Scoring of Administrative Requirements will be based on the Evaluation Team's assessment of the probability that a QBP's proposed solution will result in successful implementation at a perceived acceptable risk level. The QBP's project plans, implementation methodologies, and schedule will be evaluated to determine responses to the following Proposal Items:

- Project Management Plan and Methodology (Proposal Items 14 through 17 and 32); and,
- Various Required Plans (Data Conversion, Operations, Training, Testing, Risk Management, etc.) – (Proposal Items 18 through 31, 33, and 34).

**3. Technical Requirements Review**

(Maximum score = 2400)

This document details the evaluation process which is used to score the QBP's technical response to the RFP. The Evaluation Team will score who, in its sole and absolute discretion demonstrates the greatest combination of qualifications, experience, and vision. Requirements that do not apply to the QBP proposed solution are considered to be optional however QBPs must indicate "No Response".



Summarized below are the technical requirements, technical Proposal items, evaluation criteria, and evaluation rates.

(a) Technical Requirements (Pass/Fail)

Upon submission of the QBP's Final Proposal, the Evaluation Team will independently evaluate responses to each technical requirement. The Evaluation Team will determine whether each response conforms to the Technical Requirement on a "Pass/Fail" basis. At the discretion of CalPERS the QBP may be asked to validate their response by demonstration.

If, by consensus of the Evaluation Team, it is found that the QBP has submitted a failed response to any of the technical requirements the proposal shall be deemed materially deviant and excluded from further consideration to award.

(b) Technical Proposal Items (Maximum score = 2400)

The technical proposal item evaluation process (Proposal Items 43 through 112) will be conducted in a similar manner to the technical requirements review process described above but in greater depth with an emphasis on evaluating each technical proposal item on the basis of risk, integration, fit, and proven technology.

The Evaluation Team will not be conducting a detailed design analysis or verification of the Technical Proposals submitted. It will conduct high level reviews to confirm the practicality and reasonableness of the proposed solution for evaluation purposes only. The QBP retains full responsibility for the adequacy and accuracy of all aspects of their proposed solutions as described in their Final Proposals. Final Proposals will be evaluated on the basis of the information submitted as a response to the technical proposal items found in Section V.H of the RFP.

(c) Evaluation Criteria

Evaluation criteria are the elements that will be examined to determine the quality of the Final Proposal. The QBP's Final Proposal technical response to Section V will be evaluated for compliance with the following criteria in order to obtain the technical best value solution:

Descriptions
Quality of the product or service and its technical competence.
Maximum facilitation of data exchange and system integration.
Consistency of the proposed solution with CalPERS Architecture Principles, plans, and strategic program direction as defined in Section IV.
Use of proven technologies, methods, and materials which have been demonstrated to be successfully applied for similar applications.

Table IX.1 Evaluation Criteria

(d) Evaluation Rates

Evaluation Rates are used to assess the quality of the evaluation criteria in the response. This is determined through a systematic evaluation process that assesses the Proposal to determine completeness, consistency, conformity to industry practices and standards, and the effect on project risks. Each requirement will be evaluated and scored against the following five ratings:

- 5 Points = Exceptional – Response fully meets technical requirements and supports the PSR project strategic goals and technical architecture direction. Response clearly demonstrates a thorough understanding of the PSR technical requirements to the extent that a timely and high quality performance is anticipated.
- 4 Points = Very Good – Response fully meets technical requirements and supports the PSR project strategic and technical architecture goals with weaknesses that are considered minor.
- 3 Points = Satisfactory – Response meets most of the technical requirements and supports most of the PSR project strategic and technical architecture goals with weaknesses that are considered moderate and resolvable.



- 2 Points = Marginal – Response meets some of the technical requirements and supports some of the PSR project strategic and technical architecture goals with technical solution weaknesses.
- 1 Point = Poor – Response is considered to be an undesirable response to the technical requirement or project strategic and technical architecture goals.
- 0 Points = Non-Responsive – The QBP did not meet the technical requirement and the response is determined to be non-responsive to the technical requirement.

(e) Scoring

Technical Proposal Items (43-112) are broken into 12 categories. Each of the categories has from one to many Proposal Items. Proposal Item points for each category are summarized and presented as a percentage of the total possible points for the category. Fifty percent of the total technical points are evenly distributed to the application and database categories. The remaining fifty percent of the total points are distributed evenly to the remaining ten categories.

The QBP that receives the highest total technical points will be awarded the maximum available technical score of 2400. All other QBPs will be awarded a technical score calculated using the equation shown below:

$$\frac{\text{QBP Proposal total technical points} \times 2400}{\text{Highest QBP total technical points}} = \text{QBP Technical Score}$$

**4. Business Requirement Review**

(Maximum score = 3150)

QBPs that are compliant in all areas of the administrative and technical evaluation will continue in the evaluation process.

(a) Business Requirements (Pass/Fail)

The Evaluation Team will independently evaluate responses to each business requirement and will determine whether each response conforms to the Business Requirement on a “Pass/Fail” basis. At the discretion of CalPERS the QBP may be asked to validate their response by demonstration.

If, by consensus of the Evaluation Team, it is found that the QBP has submitted a failed response to any of the business requirements the





Proposal shall be deemed materially deviant and excluded from further consideration to award.

(b) Evaluation Criteria

Responses to each business requirement will be evaluated by a team of individuals and subject matter experts that are knowledgeable in the business requirements and project strategic objectives. Each requirement will be evaluated for compliance with the following criteria in order to obtain the best value solution:

Criteria
Ease of use
Business Risk

Table IX.2 Business Evaluation Criteria

(c) Evaluation Rates

Evaluation Rates are used to assess the quality of the evaluation criteria in the response. Each requirement will be evaluated and scored based upon the following ratings:

- 5 Points = Exceptional – Response fully meets business requirements and supports PSR project strategic goals with no identified weaknesses.
- 4 Points = Very Good – Response fully meets business requirements and supports PSR project strategic goals with weaknesses that are considered minor.
- 3 Points = Satisfactory – Response meets business requirements and supports PSR project strategic goals with functional weaknesses that are considered moderate and resolvable.
- 2 Points = Marginal – Response meets business requirements and supports PSR project strategic goals with functional weaknesses.
- 1 Point = Poor – Response is considered to be an undesirable response to the business requirement or project strategic objectives. For example, response may include significant additional manual activity or interfaces to other programs.
- 0 Points = Non-Responsive – The business requirement response is determined to be non-responsive.



(d) Scoring (Maximum score = 3150)

The total business points are shared equally among all 315 business requirements. The QBP that receives the highest total business points will be awarded the maximum available business score of 3150. All other QBPs will be awarded a business score calculated using the equation shown below:

$$\frac{\text{QBP Proposal total business points} \times 3150}{\text{Highest QBP total business points}} = \text{QBP Business Score}$$

5. **Added Value Assessment**

(Maximum score = 1250)

A maximum score of 1250 is possible for the Added Value Assessment portion of the evaluation.

QBPs are encouraged to exceed CalPERS requirements, if doing so provides a tangible benefit to CalPERS. Scoring for added value will be based in part on the Evaluation Team's assessment of added value features that are identified as such by each QBP in its Proposal. The extent to which additional functionality is available for future use by CalPERS also adds value.

The Evaluation Team will make the determination of what items truly add value to their business based on how it enhances achievement of the strategic goals. The Evaluation Team will award to each QBP up to the maximum number of points based on the Evaluation Team's assessment of the response received.

The QBP that receives the highest total added value points will be awarded the maximum available added value score of 1250. All other QBPs will be awarded an added value score calculated using the equation shown below:

$$\frac{\text{QBP Proposal total added value points} \times 1250}{\text{Highest QBP total added value points}} = \text{QBP Added Value Score}$$

6. **Cost Assessment**

(Maximum score = 3800)

A maximum score of 3800 is possible for the Cost Assessment portion of the evaluation.

The Cost Proposals will not be opened until the Evaluation Team has completed the Administrative and Technical Review, Business Requirement Review, and Added Value Assessment steps in the evaluation process. QBPs that are compliant in all areas of the business, administrative, and technical evaluation will continue in the evaluation process and have their Cost Proposals opened.



The cost assessment is a two-step process. In the first step the Cost Proposals will be opened and the lowest Cost Proposal will initially receive the maximum score of 3800 points. All other Cost Proposals will be rated proportionately as follows:

$$\frac{\text{Lowest Cost Proposal} \times 3800}{\text{QBP Cost Proposal}} = \text{QBP Initial Cost Points}$$

The table below provides an example of the calculation process for assessing initial cost points.

QBP	Cost Proposal	Calculation	Initial Cost Points
A	\$130,500,000	$\frac{\$127,000,000 \text{ (Bidder B)} \times 3800}{\$130,500,000 \text{ (Bidder A)}}$	3698
B	\$127,000,000	$\frac{\$127,000,000 \text{ (Bidder B)} \times 3800}{\$127,000,000 \text{ (Bidder B)}}$	3800
C	\$132,000,000	$\frac{\$127,000,000 \text{ (Bidder B)} \times 3800}{\$132,000,000 \text{ (Bidder C)}}$	3656

Table IX.3 Sample Initial Cost Points Calculation

The Evaluation Team will validate all cost tables for accuracy and to ensure all items identified in the QBP's Proposal (i.e., deliverables, hardware, software, etc.) have been included in the cost tables. Those items that are not included will be assumed to be provided to CalPERS at no additional cost if they have been proposed and not included in the cost tables.

In the second step the Evaluation Team will evaluate the QBP's compensation approach against the preferred CalPERS model and apply the weighting factor, which is based on the risk to CalPERS. Table IX.4 provides the weighting factor and criteria.



Weighting Factor	Weighting Criteria
100	QBP has accepted the CalPERS compensation model. Evaluation Team is highly confident CalPERS is protected as much as possible against project failure, and payment schedule is considered <u>low risk</u> .
90	Compensation approach proposed closely mirrors the CalPERS compensation model with little variation. System roll-out may not be in the same order as CalPERS compensation model, but the Evaluation Team has confidence that their method will be successful with <u>low to moderate risk</u> . The compensation approach is consistent with the product delivery schedule and commensurate with risk.
80	Compensation approach proposed has moderate variation from the CalPERS compensation model at any performance milestone. The system roll-out may not be in the same order as CalPERS compensation model but the Evaluation Team has confidence that their method will be successful. The QBP has introduced potential financial risk to CalPERS. Compensation model is considered to be of <u>moderate risk</u> to CalPERS.
70	Compensation approach proposed has significant variation from the CalPERS compensation model at any performance milestone. The system roll-out may not in the same order as CalPERS compensation model and the Evaluation Team has low confidence in their method since it has introduced financial risk to CalPERS. The proposed compensation model is considered to be <u>moderate to high risk</u> to CalPERS.
55	Compensation approach proposed has significant variation from the CalPERS compensation model at any performance milestone. System roll-out may not be in the same order as CalPERS compensation model and the Evaluation Team has very low confidence in their method since it has introduced high financial risk to CalPERS. The proposed compensation model is considered high risk to CalPERS.
30	Proposed compensation approach is not comparable to the CalPERS model and transfers unusual financial risk to CalPERS. The QBP compensation model is considered very <u>high risk</u> to CalPERS. The system roll-out may not in the same order as CalPERS compensation model and the Evaluation Team has very low confidence in their method since it has introduced significant financial risk to CalPERS.

Table IX.4 Compensation Approach Weighting Criteria



The table below provides an example of the cost assessment calculation process assuming a weighting factor of .90 for QBP A; .80 for QBP B; and .70 for QBP C.

QBP	Cost Proposal	Calculation	Total Cost Points Awarded
A	\$130,500,000	$\frac{\$127,000,000 \text{ (Bidder B)} \times 3800 \times .90}{\$130,500,000 \text{ (Bidder A)}}$	3328
B	\$127,000,000	$\frac{\$127,000,000 \text{ (Bidder B)} \times 3800 \times .80}{\$127,000,000 \text{ (Bidder B)}}$	3040
C	\$132,000,000	$\frac{\$127,000,000 \text{ (Bidder B)} \times 3800 \times .70}{\$132,000,000 \text{ (Bidder C)}}$	2559

Table IX.5 Sample Cost Scoring Calculation

## 7. Determination of Winning Proposal

The winning Proposal will be the most responsible, responsive Proposal that has the highest combined score for evaluation factors: combination of Business, Administrative, and Technical (BAT) points, cost points, and added value points up to a maximum of 14,350 points.

The table below provides an example of how the final total score is determined.

QBP	BAT Points (x)	Cost Points (y)	Added Value Points (z)	Total Score (x+y+z)
A	6,484	3,328	200	10,012
B	8,376	3,040	800	12,216
C	7,231	2,559	900	10,690

Table IX.6 Sample Total Score Calculation

Once the winning proposal has been determined, CalPERS may, at its option, decide to reduce project cost and remove a mandatory function or functions from the contract with the winning QBP. If a function or functions are removed from the contract, the associated functional cost as stated by the QBP in the Cost Proposal will be deducted from the contract award amount.



**F. CONTRACT AWARD**

1. The Contract award, if any, will be made to the responsive and responsible QBP having the highest total score, but may be subject to final negotiations and satisfaction of all requirements. Should negotiations not be successful with the selected QBP, CalPERS may, based on its exclusive discretion, negotiate with the QBP having the second highest total score.
2. All QBPs will be notified of the outcome of the RFP process. Notice of CalPERS intent to award to the selected QBP will be posted in CalPERS Contracts Management Section and at [www.calpers.ca.gov](http://www.calpers.ca.gov) for five (5) State business days before the award of contract is made.